

Secret merger deal--

The bitter battle over your phone bill

By Syd Kossen

(Kossen, San Francisco Examiner political writer, will write regularly for The Guardian during the newspaper strike.)

State Public Utilities Commissioner William M. Bennett refers to three of his colleagues as "the Bell boys," a nasty suggestion that they want to help Pacific Telephone Company ring up a record \$181 million rate increase.

I was told that what the three-- Peter E. Mitchell, Fred P. Morrissey and William Symons Jr.--privately call Bennett should not be repeated in a commentary that might fall into the hands of children.

Their animosities have surfaced before, but never to the degree as at the concluding hearings on the long, complex telephone case.

Questions, answers and bickering on the bench brought into sharp focus the deep bitterness, contempt, suspicion and clashing political viewpoints over regulation.

It is clear that there is a new regulatory climate in California.

Gov. Ronald Reagan and Lt. Gov. Robert Finch have spoken with concern for PT&T stockholders, but not for the mass of subscribers whose phone bills will be almost doubled if the utility gets what it wants.

Bennett, a Democratic holdover and onetime candidate for state attorney general, expects to return to private law practice when his six year term expires Dec. 31. Mitchell, commission president, also was named to the watchdog agency by former Gov. Pat Brown. Bennett says Mitchell is "stricken with reappointment virus."

Symons and Morrissey are Reagan appointees. They replaced two commissioners who voted for a 1965 telephone rate decrease, a bold PUC act upheld by the California Supreme Court.

A former rancher and cattle shipper, Symons is a Mono County Republican who was rewarded with a \$25,000-a-year PUC appointment after he lost his State Senate seat in the 1966 reapportionment. He had served one term in the Legislature. Morrissey came to the commission from the University of California where he was a professor of economics, moonlighting occasionally as a rate expert for Public Telephone.

Absent from the final phone hearing at the State Building here was A. W. Gatov, husband of a former Democratic national committeewoman and Pat Brown's last appointee to the five-man commission.



Now, proof that the booming Chronicle went into equal partnership with the ailing Examiner in the touchy 1965 deal

By our correspondent

There's an obscure 23-page document in Nevada's State Capitol that lays to rest all the speculation over who really controls San Francisco's merged newspapers.

It's not The Chronicle after all. According to the document--the incorporation papers for the San Francisco Newspaper Printing Co., Inc.--The Chronicle shares control with The Examiner.

The shares of ownership are split fifty-fifty between The Chronicle Publishing Company and the Hearst Corporation, which owns The Examiner. Profits from the joint advertising and mechanical printing operation, Chronicle publisher Charles de Young Theriot has testified in Washington anti-trust hearings, also are "paid in equal shares." Out of this, each paper meets its editorial and administrative expenses.

The Chronicle, of course, had been driving The Examiner to the wall financially for some time before the papers formed the Printing Company in September, 1965. Yet, The Chronicle went into an equal partnership agreement with its weakening morning rival.

The Chronicle, in short, was willing to give up its dominant position, its traditional independence and all that was meant by its longtime slogan, "the city's only home-owned newspaper" in exchange for higher profits promised by a joint operation that would destroy the need for expensive competition.

Hearst was only too eager to agree. The corporation said later in congressional testimony that its afternoon News Call-Bulletin -- killed by the merger and replaced by The Examiner -- had been losing money for a dozen years. The Examiner, it said, had been suffering "frightening losses" for six years in the morning field opposite The Chronicle.

Both newspapers insist, of course, that there was nothing wrong with their merger. Before formalizing it, after all, they got word from President Johnson's Justice Department that it would not take anti-trust action at that time.

They had agreed to the merger on Oct. 23, 1964, according to Theriot's testimony, but managed to keep it a secret for nearly a year while awaiting Justice Department clearance.

But even after they got clearance, and despite their claims of purity, they somehow still felt it necessary to continue to hide the deed.

Off to Nevada

They sent their lawyers to far-off Carson City to file the incorporation papers under assumed names. That was on September 1, 1965, in the Nevada Secretary of State's office.

They didn't call it the San Francisco Printing Company. Instead, it was "Central State Enterprises, Inc." Nor did they list the real directors -- Hearst and Chronicle executives whose names might be recognized. They listed six attorneys who represented them: Robert Raymer, John E. Schaeffer, -- continued on page 3

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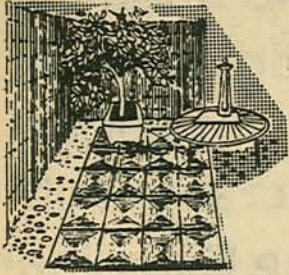
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Explosions, rock-throwing -- the fury mounts in L.A. ●●●newspaper strike●●●

By our correspondent

LOS ANGELES -- As if it were on ball bearings, the increasingly bitter strike against Hearst's Herald-Examiner rolled toward the 60-day mark last week. There was action enough for anyone -- but it was all the wrong kind of action. Violence flared from downtown Los Angeles to Walnut Creek.

It infuriates many of the 2,000 out-of-work employees that the "Her-Ex" continues to publish, and even thrive, thanks to what management calls "supervisory and other non-union personnel." Despite support from teamsters and longshoremen who refuse to handle Hearst newsprint, the unions can do little but look on from outside as presses clack out 600,000 copies a day.

Discouraged, a few Herald-Examiner reporters and copy editors have given up a fight, signing on with the rival Times or with radio stations. Some have lucked into good temporary jobs: TV editor Bob Hull is critiquing tube offerings for Daily Variety, struggling manfully with the showbiz Bible's "nix pix stix crix" style.

Bombs away...

It didn't help the morale of the remaining strikers, however, when a non-union craft worker blithely tossed from an upstairs window a weekly withholding statement indicating that, counting overtime,

the strikebreaker grossed \$800 and took home \$602.

The missile landed at a picket's feet. The county labor council's newspaper reprinted it. Then came a call for a mass demonstration at the old Herald-Examiner plant.

About 2,000 men, women and children turned out under threatening skies. It's typical of Southern Californians that almost no one wore a raincoat or carried an umbrella. But when a half dozen cherry bombs exploded in the parking lot as the demonstrators looped around the building, there was no rain to drown the fuses.

The sudden explosions triggered a flurry of rock throwing which broke 42 of 59 street-level plate glass windows and two glass doors. Police called a tactical alert, and only the arrival of a drenching rainstorm broke up the crowd.

Whom to blame?

Eight striking craft employees were charged with malicious mischief and disturbing the peace. Everyone was abashed, everyone blamed somebody else. Police Capt. Joseph Stephens noticed UCLA student firebrand Jerry Palmer in the crowd and muttered darkly about "agitators." Said the big veteran cop:

"I don't know who is and who isn't a Communist, but that's the league some of these people travel in. I recognized several people from left-wing groups, including

Students for a Democratic Society. Some of these people passed out leaflets down therefrom, let's see, National Conference on New Politics. I don't think there's any doubt that they're opposed not only to the Vietnamese war, but also to letting anybody into the draft boards."

A union spokesman, for his part, blamed management for importing strikebreakers and thereby "injecting hoodlumism into a labor dispute which we have tried to keep legal and orderly."

Scabs at work

Meanwhile, supermarkets and department stores were maintaining nearly their normal volume of advertising in the Herald-Examiner. Early in the strike, the paper wasn't many cuts above the mimeographed Chronicle sold in the Mission Street lobby. Now, Hearst has found two photographers willing to take the field on assignments; a few reporters have come from the ranks of college students and from the Anaheim Bulletin of Orange County, a paper so right-wing that it meets Rap Brown coming around the other way.

The Herald even boasted a fill-in political writer, a man who'd been trying vainly for years to get on the paper.

But Hearst suffered at least a psychological setback when AP and UPI pulled their offices out of the Herald plant (UPI Photo moved part of its operations into the Dodger Stadium pressroom). The wire service writers got tired of crossing the picket lines.

Stalemate

The story at the conference table was that there was no story and no conference table. At his last meeting with management nearly two weeks ago, American Newspaper Guild negotiator Robert J. Rupert indicated "flexibility" in union demands for pension and health benefits, while holding firm on a demand for a \$26 two-year raise for journeyman reporters from \$174 to \$200.

Management stuck to its \$13 two-year offer, declaring that the union could divert any part of that \$13 to pensions or health if it wanted. "Management's position," snapped Rupert, "continues to be even more unpalatable to us than it was before the strike."

No one is working to set up further meetings. "Why should I?" asked Rupert. "Every time we ask for a session we run into the same blank wall."

The Guild and its allied unions had to find refuge in irony. Sal Perrotta, a striking reporter, dug up a 1952 issue of the old Hearst Los Angeles Examiner. He ordered reprints of a pithy little William Randolph Hearst saying which was run in an "ear" on page one: "A business which cannot afford to pay living wages to its employees," old W.R. had said, "cannot exist and should not."

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S.F. Newspaper Printing Company began with a bogus name, fake directors and a Reno address

The merger document

LIST OF OFFICERS, DIRECTORS AND AGENT OF SAN FRANCISCO NEWSPAPER PRINTING COMPANY, INC. A Nevada Corporation For the Filing Period July 1, 1968 to July 1, 1969

Charles W. Kenady, R. Barry Churton, J. Raymond Healy and James Murad, all with a post office address of 701 Crocker Building, San Francisco 94104.) Nor did they say who filed the articles of incorporation. They said it was filed "at the request of" C T Corporation System, 333 Pine St. Neither did they give a San Francisco address for the new corporation. Its headquarters was listed as 1 East First Street in Reno (the First National Bank of Nevada).

Why Nevada? Well, for one thing, the state has neither corporate nor personal income taxes.

Why the secrecy? Obviously, the publishers felt it would be easier to combat complaints of their employees, their readers and the public if they could present them with an accomplished fact. More: they obviously wanted time to plan carefully so that the enormous problems of physically merging three papers into two would move smoothly.

Not Available

However, The New York Times broke the story, the Oakland Tribune ran it and publishers of the Chronicle, Examiner and News-Call-Bulletin were forced to run an AP story on the merger that ended with what must undoubtedly be the most famous last line in San Francisco journalism: "Neither publisher was available for comment." The incorporation papers were hurriedly amended to change the name from Central State Enterprises to the San Francisco Newspaper Printing Co., Inc. and the merger was belatedly announced on Sept. 13, 1965.

Joint ownership is spelled out carefully in the papers, although they do not say which individuals own the shares or what each paper must do to earn its 50 per cent of the profit. (Circulation, in any case, doesn't appear to be the measurement, since The Chronicle's circulation has climbed to 500,000, The Examiner's fallen to around 200,000.)

There are 200 shares, half of Class A and half of Class B. Both classes, one representing the Hearst Corporation, one The Chronicle, are equal. It takes a majority of those in each class, voting separately, to approve any action.

Each class of shareholders elects an equal number of directors.

OFFICERS AND DIRECTORS		
*Wells B. Smith	President	326
*Lyle A. Johnson	Vice President	326
*W. J. Griffith	Treasurer	36
*William J. Dowling, Jr.	Secretary	44
Charles Thieriot	Director	90
Scott Newhall	Director	90
Sheldon G. Cooper	Director	44
Randolph A. Hearst	Director	1018
George R. Hearst, Jr.	Director	Los 241
Charles L. Gould	Director	901
OFFICERS WHO		
NAME		
*None of the above-named officers are directors.		

Should those directors deadlock, the shareholders elect, in a page and a half of magnificently complicated corporate, Class C directors to break the deadlock. After that, Class C directors bow from the scene. (See INSIDE, page 4.)

It wasn't until last September that the real directors were put on the incorporation papers. For The Chronicle, they are Thieriot, Executive Editor Scott Newhall and Sheldon Cooper, the paper's chief counsel. For the Hearst Corporation, it's Examiner publisher Charles Gould; Randolph A. Hearst, chairman of the corporation's executive committee, and George Hearst, Jr., publisher of the Los Angeles Herald-Examiner.

Perpetual Existence

The company, according to the incorporation papers, will be around long after these individuals are gone. It is, in corporate fact, "to have perpetual existence."

It also can do just about anything. Its "specific business" is listed as printing. But it also is empowered "to carry on any business" from manufacturing to operating hotels -- and anywhere in the world.

There will be no interference with profits, either. For the company, says the document "shall

not have the power to make donations for the public welfare or for charitable, scientific, educational, civic or trade purposes." (This is a holdover from the quirky will of Mike DeYoung, Chronicle founder.)

The publishers, however, are quick to deny that they had anything but the purest motives in merging -- especially when people suggest that the Justice Department should take another look at the merger.

Last year, for example, Thieriot told the U.S. Senate Subcommittee on Antitrust and Monopoly that the merger removed "the necessity for destructive competition which would almost certainly have left San Francisco without two separately owned and wholly independent newspapers."

His sentiments were echoed by The Examiner's Gould, who told the subcommittee he took the initiative in seeking merger for the same reason.

Competition, he said, was so fierce that, by 1964, it had become clear that either The Chronicle or The Examiner "would have eventually failed."

Thieriot acknowledged that The Chronicle, although allegedly just breaking even financially, was stronger at the time. But he said there was danger that the Hearst Corporation would have thrown its full resources into the ferocious

competition and sunk The Chronicle.

In sharp disagreement are the newspaper unions whose fight with the merged company has kept the newspapers off the streets since Jan. 5. They cite greed -- especially Chronicle greed -- as the basic motive for the merger.

A somewhat competitive publisher, J. Hart Clinton of the San Mateo Times, said much the same thing in testimony before the Senate subcommittee. Clinton, who claimed his paper has been harmed by unfair competition from the merged papers, called the merger "an unlawful combination and conspiracy in restraint of trade."

He noted that, though The Chronicle's circulation increased 33 per cent after the merger, its advertising rates were raised 100 per cent. The Examiner's circulation plummeted. But its rates went up 50 per cent, and those buying Chronicle ads were presented the powerful lure of placing them in The Examiner as well for only 10 per cent more.


It was clear, Clinton said, that The Chronicle used the profits of its extremely profitable television station, KRON, to overtake The Examiner as a prelude to merger.

Thieriot angrily denied Clinton's charges. He said the merged company's profits were less than three per cent, claimed competition actually had been increased because of the growth of suburban newspapers and that San Francisco now has a better -- meaning larger -- afternoon paper.

Gould boasted that San Francisco papers now have the largest circulations in history, "have great advertising acceptance and have proved most effective in producing results."

Neither publisher had much to say about editorial quality. But Gould, incredibly, claimed The Examiner now has been able to put together the "best news gathering staff in its history."

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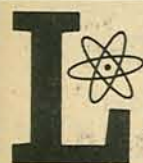
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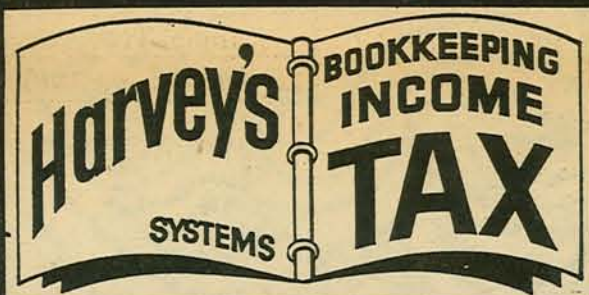
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**PUBLISHERS, admitting they have
strike insurance, sit back and wait**

**UNIONS, rallying their flagging
members, sit tight in unbroken unity**

By our correspondent

San Francisco's daily newspaper publishers apparently have launched an all-out war of attrition against the striking Mailers Union and its allies on the picket lines — and there's no end in sight.

After a brief flurry of hope, both sides seem to have settled down for a long costly waiting game.

Newspaper officials sit high up in the Chronicle Building at Fifth and Mission Sts., doing whatever it is publishers do when they're not counting money. Occasionally they wander downstairs to pointedly ask pickets why in the world they're supporting those obstinate mailers.

Around the corner, in a three-story brick building, leaders of twelve unions circulate among their milling troops, doing their best to keep up spirits. There's not much money to count there either, but there's plenty of food and conversation, and the unity that comes from more than a month of shared, intense activity.

The men in the Chronicle Building still hope to shatter that unity and thus force the Mailers back to the bargaining table stripped of their essential strength. But their main strategy now appears to be simply one of sitting back and waiting until the union members wear out and sue for peace on the publishers' terms, or at least until they're worn down enough to greatly weaken their current bargaining strength.

How long?

How long can the mailers and their allies last? How long can they picket, day after day, making do on tiny strike benefits? How long will the publishers wait? How long before they will begin bargaining with the mailers?

Assuming that union unity holds, it will be a long time — judging from recent events around Fifth and Mission.

Many observers felt differently when the Mailers and representatives of the newspapers' Printing Company resumed contract negotiations on Jan. 23 after a two-week lull.

But the optimism was dispelled quickly. They sat down together all right, but for two days they did nothing much more than haggle over the same proposals and counter-proposals that led them to their pre-strike deadlock.

Both sides contended they had offered minor concessions as an opening toward getting down to major compromise, but both also contended that the other's offers were meaningless.

In any case, the negotiations broke off again, with the publishers making it clear they weren't interested in bargaining yet.

The publishers used the talks merely as a device to attack the Mailers Union for allegedly showing bad faith — an attack that appeared to have been well planned.

The publishers knew the sessions would have to be recessed after two days, because they had negotiations scheduled after that with another union, the photoengravers, whose contract also had expired.

So, at 4:30 p.m. on Jan. 24, as the second day of the mailers' sessions drew near a close — but while Printing Company negotiators still were at the bargaining table — other publisher representatives quietly informed newsmen that they would hold a news conference at 5:30 p.m.

The mailers' negotiators didn't know this and, when 5 p.m. came and the company negotiators suggested a recess, they proposed

continuing the session into the evening hours.

But instead of continuing to talk, company negotiators rushed to the pre-arranged news conference. There, Company President Wells Smith read a printed press release. It said the negotiations had gotten nowhere because the mailers had failed to "bargain meaningfully."

It's difficult, independent observers say, to argue with the union's charge that it was "stabbed in the back."

"We were talking in good faith," declared a mailers' official "but while we were talking to them they showed the worst kind of bad faith by cranking up their publicity machine to try to wreck the negotiations."

No response

Since then, the union has called daily for a resumption of negotiations, but has gotten no response.

Nor have publishers responded to Mayor Alioto's offers to serve as a mediator or otherwise help. The union has told Alioto twice that it would welcome his intervention. It has not mentioned his mediation proposal but it has urged the mayor "to help us get the publishers to sit down with us."

Alioto has met with Charles De Young Thieriot, Chronicle publisher, at the Bohemian Club and with mailer and union representatives, but he maintains, through aides, that neither side seems to want his intervention. Publishers categorically want him to stay out, Alioto's aides say privately. Publishers are responding to the growing pressures. Last week, for instance, Printing Company President Smith sent off letters to idled newspaper employees attempting to refute major union charges against the company.

Smith's letter, a clear effort to weaken the union unity behind the Mailers Union, asserts that "one hundred fifty mailers are now keeping twenty nine hundred people out of work," and that the union has stalled contract negotiations.

"We want you to know the Printing Company is willing and eager to meet with the Mailers as soon as possible and bargain fully on all issues," it says. But it does not say that the Mailers have requested repeatedly the company do just that.

The letter also denies that the company is attempting "to destroy the Mailers Union" and repeats what Smith said was an assurance, made on Jan. 6, that the company "had no intention of importing professional strikebreakers into San Francisco."



Perhaps the greatest new pressures on the publishers stem from a ruling, handed down last week by Federal District Judge James A. Walsh, that ordered the break-up of the merger of two Tucson, Ariz., newspapers.

Like The Chronicle and The Examiner, the Tucson papers operate separate editorial departments, but joint advertising, circulation and production departments.

Judge Walsh held that the price-fixing, profit-pooling and market allocation involved in the joint operation violate the Sherman Anti-Trust Act.

The Arizona paper — The Citizen and The Daily Star — are expected to appeal the ruling to the U.S. Supreme Court, and thus there probably won't be a final settlement for a year or so.

But the ruling has prompted loud new demands that the Justice Department take immediate anti-trust action against the merger here.

It clearly has shaken the San Francisco publishers. For official government approval of their merger hinges, in effect, on final settlement of the Tucson case.

They did not get formal approval for their merger, but merely notice that the Justice Department, in the words of Deputy Attorney General Warren Christopher, "would not oppose it pending the outcome of the Tucson case." (See story, page 1.)

Christopher says the Department still intends to take no action here "until the Tucson case is finally settled." But pressures now being applied in attempts to get the San Francisco strike settled could change the Department's plans — and the publishers are well aware of it.

Despite these pressures they

— continued on page 15

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Hearst men appear to be calling the shots

— continued from page 6

still are showing an obvious reluctance to bargain with the Mailers Union, and the union feels that strike insurance is a major reason for this.

It has long been assumed that publishers have the insurance, but it wasn't until last week that they admitted it publicly.

"Of course The Examiner has strike insurance," Examiner publisher Charles Gould told an Associated Press reporter. "I don't think there's a newspaper in the United States that doesn't have strike insurance."

Gould made the admission -- an extremely rare one for a publisher -- in response to a charge by Mailers' President Douglas Smith.

'MAKING MONEY'

Smith asserted that the publishers are "making money from strike insurance while the public is going without papers and 3000 newspaper workers are walking the street." But Gould, although giving no details of the coverage, said he didn't think "any newspaper has made money on strike insurance."

The insurance apparently comes through a program set up in great secrecy by the American Newspaper Publishers Association. At last report, more than 400 publishers were putting up to \$10,150 a year each into a special fund set up by the ANPA. They could draw out up to \$10,000 a day and \$500,000 in any one year, to cover strikes or lockouts of up to 100 days.

The fund has been established at New York financial institutions, but New York authorities ruled the insurance "contrary to public policy" and it was shifted out of the country.

The insurance, at any rate, undoubtedly is not enough to cover the huge losses that are being absorbed by the extremely profitable Chronicle and Examiner operations.

At this stage, however, the publishers seem quite willing to suffer these short-run losses in hopes of pocketing big long-term gains that will be theirs if they can win their battle to weaken San Francisco's newspaper unions.

This feeling is especially strong within the Hearst half of the operation and, for now anyway, the Hearst representatives appear to be calling the shots. Chronicle publisher Charles DeYoung Thieriot

never has been known as particularly enlightened in labor relations, but neither has he ever shown the 19th century approach common to Hearst men like Wells Smith.

The newspaper war of attrition, in short, may be just beginning.

Gift from God

— continued from page 4

peared on the platform - but on Thursday there were only two ministers in attendance.)

When questioned about the results of Valdez' promises about "crutches flying," etc., Cannistraci replied: "We're not taking time to document - there's no need to publicize them. Brother Valdez don't take time to show off."

Among two dozen people who went to the stage and were pronounced "healed" by Valdez, was Norman Adams, 25, a poverty program community organizer in the Fillmore district of San Francisco. Adams, who had lost use of a finger from a severe cut, said that he had never before seen a miracle healing service.

Adams stood on the stage for 25 minutes while Valdez advertised and collected the special money-back offering. Prior to the offering, five other seekers of healing had their assorted afflictions detailed over the loudspeaker. They were then pronounced healed when Valdez staggered each with an arm movement resembling a football stiff-arm.

By contract, Adams and 20 others waited until the conclusion of the offering and received only a brief handshake and an assurance that they were healed.

In noting later he was not healed, Adams remarked: "I wish he had at least asked me what was wrong."

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